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AZ CORP COMMISSION  
DOCUMENT CONTROL

July 24, 2006

Michael W. Patten  
One Arizona Center  
400 East Van Buren Street, Suite 800  
Phoenix, Arizona 85004

RE: SABROSA WATER COMPANY - APPLICATION FOR AN INCREASE IN  
PERMANENT RATES, DOCKET NO. W-02111A-06-0361

**SECOND LETTER OF DEFICIENCY**

Dear Mr. Patten:

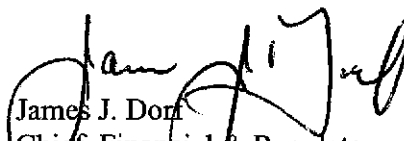
In reference to your letter received on July 14, 2006 responding to our deficiency letter dated June 29, 2006, this letter is to inform you that your application has not met the sufficiency requirements as outlined in Arizona Administrative Code R14-2-103.

Staff has found several deficiencies with your application, which are listed on a separate attachment. The 30-day sufficiency determination period will begin anew when the Company corrects the deficiencies and Docket Control receives an original and sixteen copies of the corrected pages.

You have 15 calendar days, or until August 8, 2006, to correct the deficiencies or make other arrangements with Staff to remedy your rate application.

The Staff person assigned to your application is Jim Beechey. He can be reached at (602) 542-5889, or toll free within Arizona at (800) 222-7000, if you have any questions or concerns.

Sincerely,

  
James J. Don  
Chief, Financial & Regulatory Analysis Section  
Utilities Division

CC: Docket Control Center (sixteen copies)  
Lyn Farmer, Hearing Division  
Delbert Smith, Engineering  
Consumer Services  
Legal Division

Arizona Corporation Commission  
**DOCKETED**

JUL 24 2006

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Sabrosa Water Company  
C/O Global Water Management, LLC  
Docket No. W-02111A-06-0361

Staff's Second List of Deficiencies

- 1.) Exhibit 2, page 15 of application, Utility Plant in Service: for the plant in service account #320 Water Treatment Equipment and account #348 Other Tangible Plant, please provide separate schedules for each account clearly showing the separate line item invoice amounts that make up the total balance of each account, \$41,162.92 and \$38,327.10 respectively. In each schedule line item, please include journal type, transaction type, invoice number, transaction description, transaction date, and amount. The total of the line item entries should equal the balance total for each account as entered on your application. Please provide any additional invoices listed on the schedules not previously provided.
- 2.) Please provide a copy of the customer notification letter with a notarized cover letter stating the method of customer notification and the date the notification was sent to the customer, as explained in the General Instruction section of the rate application.
- 3.) Please use the attached Bill Count instructions and worksheet(s) to document your bill counts for the test year period 4/01/2005 thru 3/31/2006, as required in the standard rate application. Please be sure the bill counts reflect the test year period and are accurate. Using the completed bill count worksheets, and the rates in effect during the test year (17.50/1.95/1000 min. for first 4 months, and 39.50/6,9,10.80/0 min. for last 8 months), calculate the test year revenue generated from the bill counts. Reconcile the bill count revenue with the Metered Water Revenue as reported on Exhibit 2, Comparative Statement of Income and Expense and please explain the difference in the amounts. If the Metered Water Revenue amount is incorrect, please provide a corrected Comparative Statement of Income and Expense.
- 4.) On page 7 of the application under utility company ownership, "C" Corporation is checked. Please confirm that the company ownership type is "C" Corporation.
- 5.) Please explain if SWC is paying interest/fees on current and/or long term payables owed to GWR.
- 6.) In reference to Exhibit 1, Status Report, regarding insufficient water quantity:
  - Please provide any hydro geological studies performed to determine if adequate water is available in the aquifer, and at what depths the wells would need to be drilled to access adequate water supplies.

- 7.) In reference to page 3 of the standard application regarding Anticipated Construction and significant factors influencing your revenues, expenses, and/or rate base:
  - Please provide any cost studies/estimates conducted for deepening the wells.
  - Please provide any cost studies/estimates conducted for line extensions from Cave Creek Water Company, and Arizona-American's Anthem water supply.
- 8.) Please provide a copy of your most current Report on the Conditional Performance of the Sabrosa Water Company.
- 9.) In reference to Exhibit 1, Status Report, regarding negative financial condition, please confirm whether the loss and infusion of capital into SWC by AWC is additional Sabrosa debt, how much debt is owed to AWC, and if the debt is recorded in Sabrosa's books.
- 10.) Please provide copies of SWC's 2005 property tax bills.

## BILL COUNT INSTRUCTIONS

A quarterly Bill Count must be provided for each of the meter sizes the Company had in service during the Test Year. If you had more than one meter size in service, reproduce the forms on pages 27 through 31, inclusive, so that you will submit one set of Bill Count forms (i.e. one Bill Count for each quarter and a Bill Count Summary), for each meter size. An item such as a metered standpipe would be considered to be a different size meter, since it may have a different tariff rate than the other size meters.

A Bill Count Summary sheet is provided on page 31. Please note that each bill over 100,000 gallons should be shown separately. The number of bills in each line will be added to produce a total of all bills at the bottom of the page.

The first step in producing the Bill Count is to collect all monthly bills rendered for metered water sales during the 12 months of the Test Year. The collection of bills must include bills to part-time customers and to customers who are no longer on the system, but who were on the system for any part of the Test Year.

Only include bills for water sold during the Test Year. For example, assume that the Test Year runs from January 1<sup>st</sup> to December 31<sup>st</sup> (calendar year) and you normally bill on January 5<sup>th</sup>. The bill sent out at that time would cover December 1<sup>st</sup> through 31<sup>st</sup> usage of the prior year and should not be included. The first billing to be used for the year would be the February 5<sup>th</sup> billing and the last billing to be used would be the billing of January 5<sup>th</sup> of the succeeding year.

Sort the bills by each quarter, by meter size, so that a separate bill count is produced for each three-month period by meter size. On each quarterly Bill Count sheet, place a tally for each bill in the appropriate gallonage range. After tallying each bill, add the tallies in each gallonage range and report the tally totals in the column provided.

*Note: For explanation of any of the above, please contact the Chief of Accounting and Rates at 602-542-0743.*

Company Name:	Test Year Ended:
Meter Size:	1 <sup>st</sup> Quarter Ended:

### BILL COUNT WORKSHEET 1<sup>ST</sup> QUARTER

GALLONAGE RANGE	NUMBER OF BILLS	TOTAL BILLS FOR 1 <sup>ST</sup> QUARTER
- 0 -		
1 to 1,000		
1,001 to 2,000		
2,001 to 3,000		
3,001 to 4,000		
4,001 to 5,000		
5,001 to 6,000		
6,001 to 7,000		
7,001 to 8,000		
8,001 to 9,000		
9,001 to 10,000		
10,001 to 12,000		
12,001 to 14,000		
14,001 to 16,000		
16,001 to 18,000		
18,001 to 20,000		
20,001 to 25,000		
25,001 to 30,000		
30,001 to 35,000		
35,001 to 40,000		
40,001 to 50,000		
50,001 to 60,000		
60,001 to 70,000		
70,001 to 80,000		
80,001 to 90,000		
90,001 to 100,000		
Over 100,000 (List actual gallons, e.g., 120,000)		
Total Bills		

Company Name:	Test Year Ended:
Meter Size:	2 <sup>nd</sup> Quarter Ended:

### BILL COUNT WORKSHEET 2<sup>ND</sup> QUARTER

GALLONAGE RANGE	NUMBER OF BILLS	TOTAL BILLS FOR 2 <sup>nd</sup> QUARTER
- 0 -		
1 to 1,000		
1,001 to 2,000		
2,001 to 3,000		
3,001 to 4,000		
4,001 to 5,000		
5,001 to 6,000		
6,001 to 7,000		
7,001 to 8,000		
8,001 to 9,000		
9,001 to 10,000		
10,001 to 12,000		
12,001 to 14,000		
14,001 to 16,000		
16,001 to 18,000		
18,001 to 20,000		
20,001 to 25,000		
25,001 to 30,000		
30,001 to 35,000		
35,001 to 40,000		
40,001 to 50,000		
50,001 to 60,000		
60,001 to 70,000		
70,001 to 80,000		
80,001 to 90,000		
90,001 to 100,000		
Over 100,000 (List actual gallons, e.g., 120,000)		
Total Bills		

Company Name:	Test Year Ended:
Meter Size:	3 <sup>rd</sup> Quarter Ended:

### BILL COUNT WORKSHEET 3<sup>RD</sup> QUARTER

GALLONAGE RANGE	NUMBER OF BILLS	TOTAL BILLS FOR 3 <sup>rd</sup> QUARTER
- 0 -		
1 to 1,000		
1,001 to 2,000		
2,001 to 3,000		
3,001 to 4,000		
4,001 to 5,000		
5,001 to 6,000		
6,001 to 7,000		
7,001 to 8,000		
8,001 to 9,000		
9,001 to 10,000		
10,001 to 12,000		
12,001 to 14,000		
14,001 to 16,000		
16,001 to 18,000		
18,001 to 20,000		
20,001 to 25,000		
25,001 to 30,000		
30,001 to 35,000		
35,001 to 40,000		
40,001 to 50,000		
50,001 to 60,000		
60,001 to 70,000		
70,001 to 80,000		
80,001 to 90,000		
90,001 to 100,000		
Over 100,000 (List actual gallons, e.g., 120,000)		
Total Bills		

Company Name:	Test Year Ended:
Meter Size:	4 <sup>th</sup> Quarter Ended:

### BILL COUNT WORKSHEET 4<sup>TH</sup> QUARTER

GALLONAGE RANGE	NUMBER OF BILLS	TOTAL BILLS FOR 4 <sup>th</sup> QUARTER
- 0 -		
1 to 1,000		
1,001 to 2,000		
2,001 to 3,000		
3,001 to 4,000		
4,001 to 5,000		
5,001 to 6,000		
6,001 to 7,000		
7,001 to 8,000		
8,001 to 9,000		
9,001 to 10,000		
10,001 to 12,000		
12,001 to 14,000		
14,001 to 16,000		
16,001 to 18,000		
18,001 to 20,000		
20,001 to 25,000		
25,001 to 30,000		
30,001 to 35,000		
35,001 to 40,000		
40,001 to 50,000		
50,001 to 60,000		
60,001 to 70,000		
70,001 to 80,000		
80,001 to 90,000		
90,001 to 100,000		
Over 100,000 (List actual gallons, e.g., 120,000)		
Total Bills		



Company Name:	Test Year Ended:
Meter Size:	

### BILL COUNT SUMMARY

	1 <sup>st</sup> Qtr	2 <sup>nd</sup> Qtr	3 <sup>rd</sup> Qtr	4 <sup>th</sup> Qtr	Total
- 0 -					
1 to 1,000					
1,001 to 2,000					
2,001 to 3,000					
3,001 to 4,000					
4,001 to 5,000					
5,001 to 6,000					
6,001 to 7,000					
7,001 to 8,000					
8,001 to 9,000					
9,001 to 10,000					
10,001 to 12,000					
12,001 to 14,000					
14,001 to 16,000					
16,001 to 18,000					
18,001 to 20,000					
20,001 to 25,000					
25,001 to 30,000					
30,001 to 35,000					
35,001 to 40,000					
40,001 to 50,000					
50,001 to 60,000					
60,001 to 70,000					
70,001 to 80,000					
80,001 to 90,000					
90,001 to 100,000					
Over 100,000 (List actual gallons, e.g., 120,000)					
Total Bills					